

Sunset Public Hearing Questions for
Investment Advisory Council
Created by Section 8-37-108, *Tennessee Code Annotated*
(Sunset Termination Date June 2018)

1. Provide a brief introduction to the Investment Advisory Council, including information about its purpose, statutory duties, and administrative attachment.

The Investment Advisory Council ("Council") is administratively attached to the Department of Treasury. Pursuant to Tenn. Code Ann. §8-37-109, the Council's statutory duty is to "...review the information furnished to it and provide such investment advice as the council deems appropriate to the state treasurer and the chief investment officer for the Tennessee consolidated retirement system."

2. Provide a list of current members of the council and describe how membership complies with Section 8-37-108, *Tennessee Code Annotated*. Who appoints members? Are there any vacancies on the council? If so, what steps have been taken to fill the vacancies?

The current members of the Council are as follows: Frederick S. Crown, Jr.; Susan Logan Huffman; George B. Stadler; and Carol Womack.

Pursuant to Tenn. Code Ann. §8-37-108(a), the Treasurer shall appoint the members of the Council with the advice and consent of the Board of Trustees. The statute further provides that the Council is composed of "...five (5) persons who, at the time of their appointment, shall have at least five (5) years' professional experience as portfolio manager, economist, or as investment advisor in any field for which investments of Tennessee consolidated retirement system funds are authorized." Tenn. Code Ann. §8-37-108(c) provides that in addition to the five (5) members that the Treasurer is required to appoint, he may appoint two (2) additional members, one (1) of which shall be a racial minority and the other shall be female; the additional appointments shall be done with the advice and consent of the Tennessee Consolidated Retirement System Board of Trustees. The additional members of the Council shall have the same experience level as the other members of the Council or shall demonstrate experience as a teacher at the post-secondary level in accounting, economics, finance or other related field.

3. How many times did the council meet in fiscal years 2016 and 2017? How many members were present at each meeting?

The Council did not meet during fiscal year 2016; however, it met twice during fiscal year 2017. The Council met on August 22, 2016 in which four (4) members were present and on March 27, 2017 in which three (3) members were present.

4. What were the council's revenues and expenditures for fiscal 2016 and 2017? Does the council carry a fund balance and, if so, what is the total of that fund balance? If

expenditures exceeded revenues, and the council does not carry a fund balance, what was the source of the revenue for the excess expenditures?

The Council does not generate revenue and its expenditures are the reimbursements to Council members for necessary travel, meals or lodging, subject to the maximum amounts and limitations specified in the "State Comprehensive Travel Regulations".

5. Is the council subject to Sunshine law requirements for public notice of meetings, prompt and full recording of minutes, and public access to minutes? If so, what procedures does the council have for informing the public of its meetings and making its minutes available to the public?

The Council is subject to Sunshine law requirements. The Council's public meeting notices are posted electronically on the TN.gov Public Participation Calendar and on the Department of Treasury's website. In addition to electronic postings, the Council's public meeting notices are also physically posted at Legislative Plaza. Once the Council's minutes are approved by Investment Advisory Council, the minutes are posted on the Tennessee Consolidated Retirement System's website as a part of the quarterly investment report.

6. What per diem or travel reimbursements do members receive? How much was paid in fiscal years 2016 and 2017?

Pursuant to Tenn. Code Ann. §8-37-108(e), the Council members shall not receive any salaries but shall be reimbursed for the actual expenses incurred in the performance of their duties.

<u>Fiscal Year</u>	<u>Travel Expenses</u>
2015/2016	\$0
2016/2017	\$444.98

7. What policies does the council have in place to address potential conflicts of interest by council members?

The Council is authorized to review the information that is furnished to it by the State Treasurer and the Department's investment division staff and then based on the information provided, the Council can provide investment advice to the State Treasurer and the Tennessee Consolidated Retirement System's Chief Investment Officer as it deems appropriate. Given the limited nature of the Council's duties and the fact that the Council is only rendering advice on an as-needed basis, a conflict of interest policy may not be necessary.

8. Describe the nature and extent of the council's activities in fiscal year 2016 and 2017, including any major accomplishments.

At each meeting, Department of Treasury investment division staff, including the Chief Investment Officer, Deputy Chief Investment Officer and manager of each portfolio, provide written reports showing receipts, disbursements, and changes in the assets and liabilities which have occurred since the last meeting. Further, the investment performance of each portfolio is reviewed and discussed with the respective portfolio manager. The Council reviews and discusses this information with the Department's investment division staff along with any proposed changes to the investment policy.

9. Describe the types of advice the council provides to the Tennessee Consolidated Retirement System's Board of Trustees? How is the advice provided (through written recommendations, during formal or informal meetings, for example)? Does the council recommend specific investments?

The Council provides the State Treasurer and the Chief Investment Officer for the Tennessee Consolidated Retirement System with investment advice at the request of the State Treasurer and the Chief Investment Officer based on the information provided to the Council members. The Council provides its advice during its meetings. The Council does not review or recommend specific investments.

10. What reports does the council prepare on its operations, activities, and accomplishments? Who receives these reports?

The Council does not prepare any written reports of its operations, activities and accomplishments other than approving minutes from its meetings. The Council's minutes appear in the Tennessee Consolidated Retirement System's quarterly investment report which is sent to the Investment Committee of the Tennessee Consolidated Retirement System Board of Trustees and is also posted on the Tennessee Consolidated Retirement System website.

11. Describe any items related to the council that require legislative attention and your proposed legislative changes.

There are no legislative initiatives at this time.

12. Should the council be continued? To what extent and in what ways would the absence of the council affect the public health, safety, or welfare of Tennessee citizens?

The Department of Treasury recommends that the committee allow the Investment Advisory Council to sunset without a wind down period. The Council was originally established in 1972, by Tenn. Code Ann. §8-37-108, during a time when the Tennessee Consolidated Retirement System's Investment fund was managed by an investment section that we believe had no Chartered Financial Analysts on staff and a limited number of staff members. Having an IAC was a prudent course of action to obtain more depth in investment services at that time. However today, the investments section has 16 CFAs, with 7 additional employees who have made

progress toward the designation, and other persons who have graduate degrees in pertinent fields that bring sufficient depth of investment management knowledge and experiences to the investments of the Treasury Department. Additionally, a meaningful amount of time from investment personnel is spent preparing for each Council, which the State Treasurer and Chief Investment Officer feel that time would be best used to manage the \$51 Billion plus portfolio. Finally, the Tennessee Consolidated Retirement System receives investment direction and advice from multiple outside contract consultants and advisers obviating the need for the Council to fill this role.

13. Please provide a list of current council staff.

The Council does not have any staff members; however, Rhonda Myers, an administrative assistant employed by the Department of Treasury, provides administrative support in scheduling Council meetings, providing information to Council members and communicating with Council members.

14. Please provide a list of all council contracts, detailing each contractor, the services provided, and the amount of the contract.

None.